

BOARD OF SUPERVISORS

GILA COUNTY, ARIZONA

Date: October 18, 2004

JOSÉ M. SANCHEZ

Chairman

JOHN F. NELSON

Clerk of the Board

RONALD A. CHRISTENSEN

Vice-Chairman

By: Marian Sheppard
Chief Deputy Clerk

CRUZ SALAS

Member

Greenburg-Traurig Law
Offices, Phoenix, AZ

PRESENT: José M. Sanchez, Chairman; Ronald A. Christensen, Vice-Chairman; Cruz Salas, Member; John F. Nelson, County Manager/Clerk; Steve Besich, Deputy County Manager; Carmen Corso, Fairgrounds Manager; and, Bryan Chambers, 2nd Chief Deputy County Attorney (via teleconference call).
ALSO PRESENT: Mike Cafiso of Greenburg-Traurig Law Offices and Mark Reader of Stone & Youngberg, LLC.

The Gila County Board of Supervisors met in Special Session at 11:09 a.m. this date.

Chairman Sanchez asked everyone present to state their name for the record. He then asked for a motion to convene into Executive Session pursuant to A.R.S. §38-431.03(A)(3)(4) to seek legal and financial advice regarding potential Gila County Fairgrounds race track funding agreements.

Upon motion by Supervisor Salas, seconded by Vice-Chairman Christensen, the Board convened into Executive Session.

Upon motion by Supervisor Salas, seconded by Vice-Chairman Christensen, the Board reconvened into the Special Session at 11:55 a.m.

For the record, Steve Besich advised that because the Executive Session has concluded, the doors to the meeting room have been re-opened and the

receptionist has been advised to allow any interested members of the public to attend the open meeting.

Mike Cafiso of Greenburg-Traurig Law Offices provided a handout of A.R.S. §11-258 which pertains to county fair fund; district fairs; operation of fair by corporation; and, county and state appropriations. He stated that in addition to exploring various funding mechanisms for the County to construct and/or operate its own stock car race track, the County may want to explore the option whereby a private company would construct and/or operate the stock car race track.

John Nelson advised that he could develop a Request for Proposal (RFP) for a private entity to construct and/or operate a stock car race track at the Gila County Fairgrounds and permission to release the RFP could be presented at the next regular meeting of the Board of Supervisors. A motion was made by Vice-Chairman Christensen, seconded by Supervisor Salas and the Board unanimously directed Mr. Nelson to prepare the RFP for presentation at the next regular Board meeting.

Mr. Besich asked Mark Reader of Stone & Youngberg, LLC to provide an overview of the investment banking services and legal services that he and Mr. Cafiso could provide to Gila County. Mr. Reader advised that he has worked with Gila County on various projects in the past as well as other counties and municipalities such as the City of Eloy, Maricopa County and currently Pinal County securing funding for race horse tracks, jails, schools and other infrastructure. He stated, *"...As far as my responsibility to the County, I have had the privilege of working with your County for a long time on a number of different projects that come up from time to time. My responsibility to your county is we work for you. As the investment banker in the transaction aside from the legal structure that Mr. Cafiso has mentioned, our job on the financial side is to make sure, and we do bond issues around the state, and we raise money for counties, cities and towns across the state, that it is done appropriately and structured soundly. The financing process is a collaborative process in which*

there are a number of people involved. In addition to your legal counsel and in addition to your investment bankers such as us, we deal with, obviously, the bond rating agencies because they are a very integral part of any financing that we do because the market looks to the rating agencies to give them comfort on a particular financing. One of my jobs is to be your quarterback, if you will, interacting with credit rating agencies to establish initially an underlying credit rating for the County on a particular transaction. All transactions of course are different. The other major party involved in this, in addition to the investors that we openly go out and sell the debt obligations to, is the bond insurance companies that are in the municipal market. There are four major bond insurers that insure municipal transactions; that's what they do for a living. Michael mentioned and Steve mentioned that we are in the middle of a 50-60 million dollar financing for Pinal County as we speak for juvenile adult and juvenile detention facilities primarily. We've had constant interaction between the rating agencies and in their case, the bond insurer. The day when we sell the COP or Certificates of Participation as they are known, we always try to get bond insurance because for a county such as Gila or a county such as Pinal there is a significant economic benefit having an obligation such as insurance in the market place. I just wanted to remind you or share with you what our role with the County is and what we do to accomplish your needs..."

Mr. Cafiso stated, "In the process of developing a credit structure there is really...as you are looking at Standard and Poors' philosophy, for example, on lease and lease-back financing, one of the first things in their criteria is what is known as essentiality....The other is security interest. Counties under statute cannot pledge any revenues...."

Mr. Nelson stated that Gila County has jails and other buildings that must be either expanded or replaced at some time in the future. He asked Mr. Cafiso or Mr. Reader to explain how borrowing for the proposed stock car race track could impact future borrowings on other County projects with respect to statutory debt limits or perceived debt limits. Mr. Cafiso advised that the

Board has a set budget capacity unless there is an additional revenue stream such as sales tax, an increase to the primary property tax levy, etc. Mr. Nelson advised that if the County borrows a certain amount of money to fund the stock car race track and if the feasibility study proves to be correct, the race track will essentially pay for itself. He cautioned there would be a problem; however, if the race track incurred a deficit and at the same funding needed to be obtained to build a new jail, etc. Mr. Nelson stated at that time the Board of Supervisors would be faced with the decision to increase the tax rate or find some alternative source of funding and the County might not be well-received within the financial community because of its high debt threshold resulting in higher interest rates on the money being borrowed.

Mr. Besich stated that members of the public may question the County's decision to expend funds on a feasibility study and an engineering study for the proposed stock car race track when the Board has not yet committed to following through on this project. He advised that the Gila County Industrial Development Authority funded the feasibility study and stated the studies were necessary in order to educate and inform the Board of Supervisors before any decision to proceed could be made.

Mr. Reader advised that in addition to assessing the feasibility of this project, at the same time the County should also consider any future capital borrowings required over the next five years. He suggested that another component would be to study all of the costs associated with the actual operation of the stock car race track because there is going to be much more insurance liability on a car race track versus an amusement park, for example.

Vice-Chairman Christensen advised that future funding for jails and certain other infrastructure required to operate County government must always be the Board's first priority. He further advised that because this proposed project is not a necessary function of County government it is critical that the pros and cons of the project be carefully analyzed.

Chairman Sanchez agreed with Vice-Chairman Christensen's concerns; however, he stated that from the results of the feasibility study and the positive feedback he has received from local citizens, it appears that a stock car race track would definitely improve Gila County's economic status. He asked for any further comments or questions; none were offered.

Chairman Sanchez adjourned the meeting at 12:15 p.m.

José M. Sanchez, Chairman

ATTEST:

John F. Nelson, County Manager/Clerk